



Rev. 3/05

## Massachusetts

Department of

## Revenue

# Form ST-BDR

## Claim for Bad Debt Reimbursement

Legal name of taxpayer

Federal Identification or Social Security number

Street address

City/Town

State

Zip

Fiscal year-end date of federal return

Due date of federal return, including valid extensions

How often do you file your sales tax return?

☐ Annually   ☐ Quarterly   ☐ Monthly

- |          |   |  |          |  |
|----------|---|--|----------|--|
| <b>1</b> | Gross sales (including non-Massachusetts sales) for previous fiscal year. . . . .   | <b>1</b>   |          |  |
| <b>2</b> | Total gross Massachusetts sales for previous fiscal year . . . . .  | <b>2</b>   |          |  |
| <b>3</b> | Total taxable Massachusetts sales for previous fiscal year. . . . .   | <b>3</b>   |          |  |
| <b>4</b> | Total tax remitted for previous fiscal year. (If this amount does not equal 5% of line 3, attach an explanation) . . . . .  | <b>4</b>   |          |  |
| <b>5</b> | Bad debt expense per U.S. tax return (actual or pro forma; please attach) for previous fiscal year . . . . .  | <b>5</b>   |          |  |
| <b>6</b> | Amount of taxable sales (upon which tax has been remitted)<br>determined to be worthless for previous fiscal year.<br><b>(Attach an explanation for each worthless sale —<br/>see instructions)</b> . . . . . | <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <b>Tangible personal<br/>property</b><br/> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 0 auto;"></div> </div> <div style="text-align: center;"> <b>Services</b><br/> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 0 auto;"></div> </div> </div> <div style="display: flex; align-items: center; justify-content: center; margin-top: 5px;"> <div style="margin: 0 10px;">+</div> <div style="margin: 0 10px;">=</div> </div> | <b>6</b> |  |
| <b>7</b> | Reimbursement for bad debts. <i>Multiply line 6 by .05</i> . . . . .  | <b>7</b>   |          |  |

Under penalties of perjury, I declare that the taxpayer named above was the vendor in the sales that have become bad debts and is not an assignee or factor of that vendor. I have examined this claim, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. (Attach Form M-2848, Power of Attorney, if representing taxpayer.)

Signature \_\_\_\_\_

Title

Date \_\_\_\_\_

Type or print name of signee

Daytime telephone number

If you wish to have a hearing in the event that this claim is denied in full or in part, you must indicate your request here. ☐ Yes

# Form ST-BDR Instructions

## General Information

Under Massachusetts General Laws (M.G.L.), Chapter 64H, sec. 33 and M.G.L. Chapter 64I, sec. 34, Massachusetts sales tax vendors who have remitted sales or use tax to the Department of Revenue (DOR) on accounts which are later determined to be worthless may file a claim for reimbursement with DOR. This claim for reimbursement is effective for sales determined to be worthless in the previous fiscal year, regardless of when the actual sale occurred. **Bad debt reimbursements are issued without interest. Reimbursements may not be claimed on any other DOR return.** Form ST-BDR must be mailed on or before the due date (including extensions) of your federal income tax return for sales and use tax determined to be worthless in the previous fiscal year. If you discover an error in your claim after filing, you may file an amended claim *on or before* the due date (including extensions) of your federal income tax return, by clearly writing “**amended**” at the top of the claim form.

Vendors must include in gross receipts for their sales and use tax returns all sales for the period in which the sales occur, regardless of whether payment has been received. Vendors are **not** allowed to subtract bad debts from gross receipts. Reimbursements for bad debts can only be made on an annual basis with Form ST-BDR.

Any vendor who recovers, in whole or in part, a bad debt for which a reimbursement has been received must include the recovered amount in the gross receipts amount on the sales tax return covering the period in which the recovery occurs. For example, you are a quarterly sales tax filer who receives reimbursement for a 1999 bad debt of \$500. During the third quarter of 2000 you recover \$300 of the bad debt. You must include the \$300 recovery amount in your gross receipts on your third quarter return.

Taxpayers who change their fiscal year for federal tax purposes in tax years after 1999 may include in their ST-BDR claim for the first fiscal year after the change any bad debts incurred after the last day of their prior fiscal year and before the first day of their new fiscal year, providing that these claims have not been included in any other ST-BDR. See Technical Information Release (TIR) 00-3, Claiming the Bad Debt Reimbursement.

To correct errors unrelated to bad debts do not file Form ST-BDR. You must file Form CA-6, Application for Abatement. To obtain Form CA-6 or for further information regarding abatements or Form ST-BDR call the Customer Service Bureau at (617) 887-MDOR.

## Line Instructions

**Line 1.** Enter your gross sales (including non-Massachusetts sales) for the previous fiscal year.

**Line 2.** Enter your total gross Massachusetts sales (taxable and non-taxable) for the previous fiscal year.

**Line 3.** Enter your total Massachusetts taxable sales for the previous fiscal year.

**Line 4.** Enter the total amount of sales tax remitted to DOR during the previous fiscal year. If this amount does not equal 5% of line 3, attach an explanation.

**Line 5.** Enter bad debt expense as indicated on your U.S. tax return (actual or pro forma) for the previous fiscal year.

**Line 6.** Enter the amount of taxable sales (upon which a tax has been remitted) determined to be worthless during the previous fiscal year, regardless of when the actual sale occurred. For example, a 1997 credit sale may finally be determined to be worthless in 1999. Enter separate amounts of sales of tangible personal property and sales of services.

**Line 7.** Multiply the total in line 6 by .05 (5%). This is your reimbursement for bad debts.

**Substantiating documentation.** Substantiating documentation must be included with every claim. You must attach an explanation for each worthless sale showing the date the sale occurred, the amount of the sale, the buyer's name and address, the buyer's federal identification number, if available, and all facts pertinent to your determining the account to be worthless. If the volume of your sales or your method of determining sales to be worthless does not allow you to comply with the preceding instructions, please refer to TIR 00-3, Claiming the Bad Debt Reimbursement, for specific instructions. A sale is determined to be worthless when it is actually written off as uncollectible for federal income tax purposes under IRC Section 166.

You must also include:

- If you are using the specific charge-off or aggregated proration method for claiming bad debts, a copy of the page from your U.S. tax form (Form 1065, 1120, 1120A, 1120S or Schedule C or F) showing the bad debt deduction for the previous fiscal year; or
- If you are a cash method taxpayer, a detailed explanation of how sales are determined to be worthless.

Mail Form ST-BDR along with all attachments to: **Massachusetts Department of Revenue, PO Box 7031, Boston, MA 02204.**